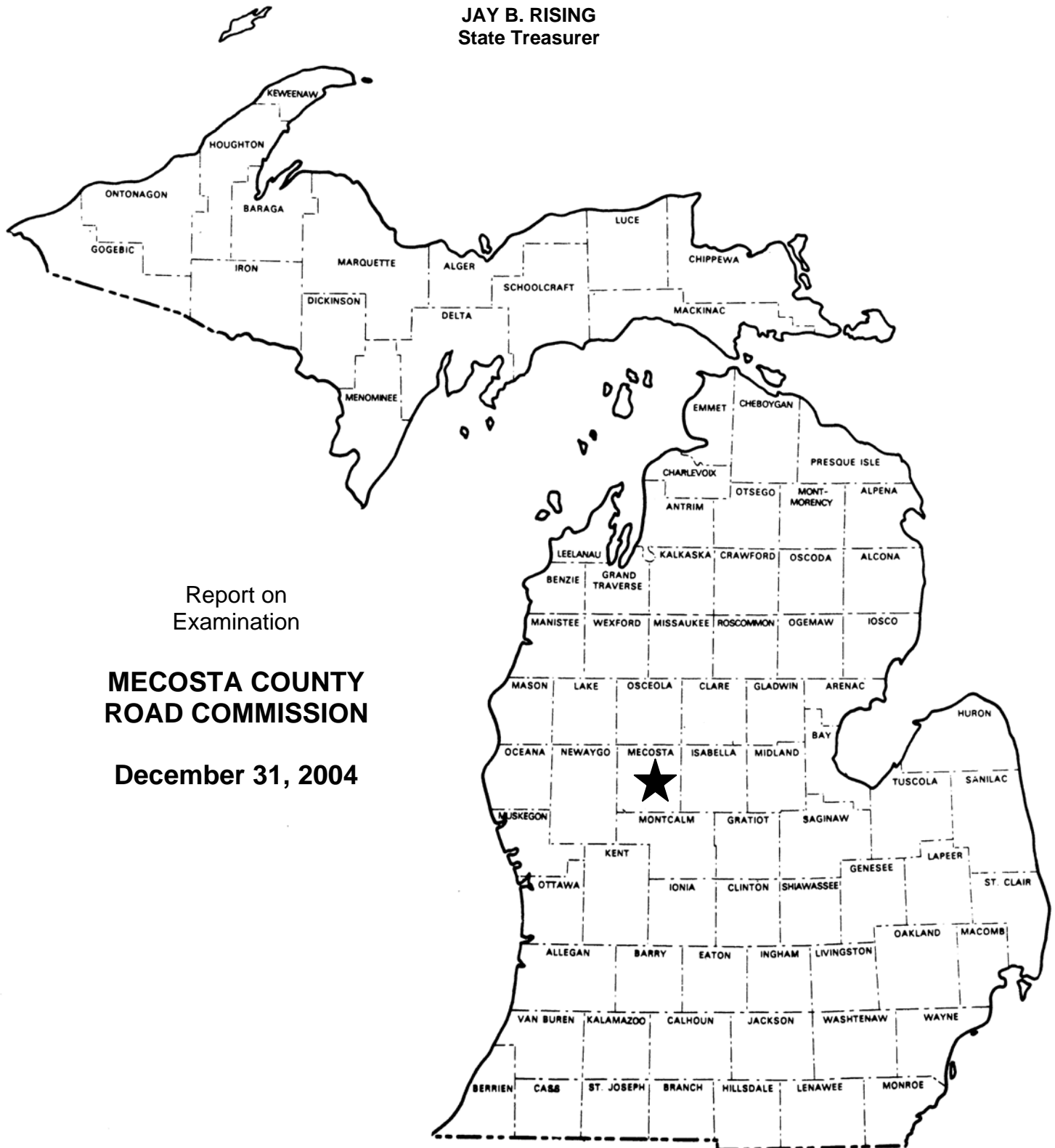


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**MECOSTA COUNTY
ROAD COMMISSION**

December 31, 2004

Local Audit and Finance Division
Bureau of Local Government Services

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MECOSTA COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

John R. Currie
Chairperson

Paul A. Jefts
Vice Chairperson

Randy Maxwell
Member

Joyce E. Randall
Managing Director

COUNTY POPULATION--2000
40,553

STATE EQUALIZED VALUATION--2004
\$1,393,931,479



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

March 2, 2005

Mecosta County Road Commission
Board of County Road Commissioners
120 DeKraft
Big Rapids, Michigan 49307

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Mecosta County Road Commission, a component unit of Mecosta County, Michigan, as of and for the year ended December 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mecosta County Road Commission as of December 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 7 and the budget comparison information in Exhibits G and H are not part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2005 on our consideration of the Road Commission's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Mecosta County Road Commission, taken as a whole. The accompanying supplemental and related information in Exhibits I through K is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

MECOSTA COUNTY ROAD COMMISSION

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MECOSTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Mecosta County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2004. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts--Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two types of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

Reporting the Road Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

MECOSTA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution.

Fund Financial Statements

The Road Commission has only one fund, the General Operations Fund. All of the Road Commission's activities are accounted for in this fund. The General Operations Fund is a governmental fund type. Our analysis of the Road Commission's Major Fund begins on page 4 and provides detailed information about the Major Fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 1.95% from \$27,434,172 to \$27,970,478 for the year ended December 31, 2004. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The depreciation for the current year's infrastructure assets will be depreciated in the subsequent year.

MECOSTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets as of year ended December 31, 2004 follows:

	<u>2003</u>	<u>2004</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 1,985,362	\$ 2,021,088	\$ 35,726	1.80%
Capital Assets	<u>25,994,312</u>	<u>26,554,142</u>	<u>559,830</u>	<u>2.15%</u>
Total Assets	<u>27,979,674</u>	<u>28,575,230</u>	<u>595,556</u>	<u>2.13%</u>
Other Liabilities	<u>545,502</u>	<u>604,752</u>	<u>59,250</u>	<u>10.86%</u>
Total Liabilities	<u>545,502</u>	<u>604,752</u>	<u>59,250</u>	<u>10.86%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	25,994,312	26,554,142	559,830	2.15%
Restricted	<u>1,439,860</u>	<u>1,416,336</u>	<u>(23,524)</u>	<u>-1.63%</u>
Total Net Assets	<u>\$27,434,172</u>	<u>\$27,970,478</u>	<u>\$ 536,306</u>	<u>1.95%</u>

The restricted net assets decreased by \$23,524 during 2004. The primary reason for the decrease was a net increase in maintenance expenses, which exceeded the increase in MTF and State and Federal Grants. The net assets invested in capital assets, net of related debt increased by \$559,830 due to an increase in capital outlay purchases.

MECOSTA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

A summary of changes in net assets for the year ended December 31, 2004 follows:

<u>Governmental Activities</u>	<u>2003</u>	<u>2004</u>	<u>Difference</u>	<u>Percentage</u>
Program Revenue				
Federal Grants		\$ 126,830	\$ 126,830	0.00%
State Grants	\$ 4,502,016	4,766,858	264,842	5.88%
Contributions From Local Units	819,852	559,465	(260,387)	-31.76%
Charges for Services	1,065,046	1,252,524	187,478	17.60%
Investment Earnings	32,622	19,891	(12,731)	-39.03%
General Revenue				
Insurance Recoveries	6,887		(6,887)	-100.00%
Gain on Equipment Disposal	123,863	134,849	10,986	8.87%
Total Revenues	<u>6,550,286</u>	<u>6,860,417</u>	<u>310,131</u>	<u>4.73%</u>
Program Expenses				
Public Works	<u>5,830,405</u>	<u>6,324,112</u>	<u>493,707</u>	<u>8.47%</u>
Total Program Expenses	<u>5,830,405</u>	<u>6,324,112</u>	<u>493,707</u>	<u>8.47%</u>
Increase in Net Assets	<u>719,881</u>	<u>536,305</u>	<u>(183,576)</u>	<u>-25.50%</u>
Ending Net Assets	<u>\$ 27,434,172</u>	<u>\$27,970,478</u>	<u>\$ 536,306</u>	<u>1.95%</u>

The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2004, the fund balance of the General Operations Fund decreased \$11,330 as compared to an increase of \$418,507 in the fund balance for the year ended December 31, 2003. Total revenues were \$6,860,417, an increase of \$317,131 as compared to last year. This change in revenues resulted primarily from an increase of MTF of \$231,310 as well as an increase in Federal and State Grants. Total expenditures were \$6,871,747, an increase of \$739,968 as compared to last year. This change in expenditures is due primarily to an increase in Maintenance of \$297,717 and an increase in Capital Outlay purchases of \$397,465.

MECOSTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in the Operating Fund is as follows:

	12/31/03 Operating Fund	12/31/04 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Federal Aid		\$ 126,830	\$ 126,830	100.00%
State Aid	\$ 4,502,016	4,766,858	264,842	6.00%
Contributions From Local Units	819,852	559,465	(260,387)	32.78%
Charges for Services	1,064,495	1,191,154	126,659	12.00%
Interest and Rents	32,622	19,891	(12,731)	-48.54%
Other Revenue	124,414	196,219	71,805	126.53%
Total Revenues	<u>6,543,399</u>	<u>6,860,417</u>	<u>317,018</u>	<u>5.97%</u>
Expenditures				
Public Works	5,472,619	5,815,122	342,503	-4.91%
Capital Outlay	<u>659,160</u>	<u>1,056,625</u>	<u>397,465</u>	<u>58.56%</u>
Total Expenditures	<u>6,131,779</u>	<u>6,871,747</u>	<u>739,968</u>	<u>0.63%</u>
Excess of Revenues Over (Under) Expenditures	<u>411,620</u>	<u>(11,330)</u>	<u>(422,950)</u>	<u>10,495.11%</u>
Other Financing Sources				
Insurance Recoveries	<u>6,887</u>		<u>(6,887)</u>	<u>1,277.40%</u>
Total Other Financing Sources	<u>6,887</u>	<u>-</u>	<u>(6,887)</u>	<u>1,277.40%</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>418,507</u>	<u>(11,330)</u>	<u>(429,837)</u>	<u>9,444.06%</u>
Fund Balance--Beginning of Year	<u>1,209,383</u>	<u>1,627,890</u>	<u>418,507</u>	<u>32.56%</u>
Fund Balance--End of Year	<u>\$ 1,627,890</u>	<u>\$ 1,616,560</u>	<u>\$ (11,330)</u>	<u>34.61%</u>

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

MECOSTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The final amended revenue budget for 2004 was \$1,387,600 higher than the original budget due to the Road Commission receiving more MTF, state trunkline maintenance and gain on equipment disposals during the year as originally planned. The actual revenue recognized during 2004 was \$304,184 less than the final amended budget.

The final amended expenditure budget for 2004 was \$1,387,600 higher than the original budget primarily due to the Road Commission having higher maintenance expenditures than originally planned. The actual expenditures recognized during 2004 were less than the final amended budget by \$292,853.

Capital Assets

As of December 31, 2004, the Road Commission had invested \$26,554,142 in capital assets. This amount represents a net increase (including additions and deductions) of \$559,830 or 2.15% as follows:

	2003	2004	Total Percentage Change 2003-2004
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 255,547	\$ 255,547	0.00%
Infrastructure Land and Improvements	8,020,056	8,057,854	0.47%
Subtotal	<u>8,275,603</u>	<u>8,313,401</u>	<u>0.46%</u>
Capital Assets Being Depreciated			
Buildings	1,463,016	1,634,223	11.70%
Equipment	5,435,000	5,471,346	0.67%
Infrastructure--Roads and Bridges	<u>27,919,435</u>	<u>29,336,554</u>	<u>100.00%</u>
Subtotal	<u>34,817,451</u>	<u>36,442,123</u>	<u>4.67%</u>
Total Capital Assets	<u>43,093,054</u>	<u>44,755,524</u>	<u>3.86%</u>
Total Accumulated Depreciation	<u>(17,098,742)</u>	<u>(18,201,382)</u>	<u>6.45%</u>
Total Net Capital Assets	<u>\$ 25,994,312</u>	<u>\$ 26,554,142</u>	<u>2.15%</u>

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$2,092,741. The infrastructure recorded during 2004 will be depreciated in the following year. The infrastructure is financed through State and local contributions. The Road Commission reported all retroactive infrastructure assets (assets acquired after 1980) in the current year according to GASB No. 34.

MECOSTA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This year's major capital asset additions included the following:

Infrastructure Land Improvements	\$ 37,798
Buildings	171,207
Road Equipment	873,879
Shop Equipment	2,589
Engineer Equipment	7,167
Office Equipment	1,783
Infrastructure--Bridges	193,427
Infrastructure--Roads	<u>1,861,515</u>
Total Additions	<u><u>\$3,149,365</u></u>

There were no installment purchase agreements entered into during 2004; all the equipment was acquired with Road Commission funds.

During 2004, the Road Commission traded in and/or disposed of road equipment with a purchase amount of \$849,072, related depreciation of \$680,610, and net book value of \$168,462.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factors when setting the fiscal year 2005 budget. One of the factors is the economy. The Road Commission derived approximately 62% of its revenues from the Motor Transportation Fund collected in 2004. The Road Commission received approximately 8% of its revenues from township contributions during 2004. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. We are anticipating that the townships will spend \$500,000. During 2005, we expect to receive \$4,504,000 in State aid for road projects. This is a decrease of 9% over last year's amended budget.

The above items were considered when adopting the budget for 2005.

Contacting the Road Commission's Financial Management

The financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mecosta County Road Commission administrative office at (231) 796-2611.

MECOSTA COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2004

EXHIBIT A

ASSETS

Cash	\$ 743,017
Accounts Receivable	
State--Trunkline Maintenance	163,322
Michigan Transportation Fund	655,480
Due From Other Units of Government	1,043
Due on County Road Agreements	16,918
Sundry Accounts	8,708
Inventories	
Road Materials	297,863
Equipment Parts and Materials	122,091
Deferred Expenses	
Fuel Depot	11,146
Brinewell	1,500
Capital Assets (Net of Accumulated Depreciation)	<u>26,554,142</u>
Total Assets	<u>28,575,230</u>

LIABILITIES

Current Liabilities	
Accounts Payable	60,439
Accrued Liabilities	68,761
Performance Bonds Payable	3,000
Non Current Liabilities	
Advance From State	272,328
Vested Employee Benefits Payable	<u>200,224</u>
Total Liabilities	<u>604,752</u>

NET ASSETS

Investment in Capital Fixed Assets	
Net of Related Debt	26,554,142
Restricted for County Roads	<u>1,416,336</u>
Total Net Assets	<u><u>\$ 27,970,478</u></u>

The Notes to Financial Statements are an integral part of this statement.

MECOSTA COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 1,190,697
Local Road Maintenance	2,210,976
State Trunkline Maintenance	1,223,556
Net Equipment Expense	(300,960)
Net Administrative Expense	165,519
Infrastructure Depreciation	1,822,130
Compensated Absences	<u>12,194</u>
Total Program Expenses	<u>6,324,112</u>
Program Revenue	
Charges for Services	
Charges for Services	1,252,524
Operating Grants and Contributions	
Michigan Transportation Funds	4,280,982
Investment Earnings	19,891
Capital Grants and Contributions	
Federal Grants	126,830
State Grants	485,876
Contributions From Local Units	<u>559,465</u>
Total Program Revenue	<u>6,725,568</u>
Net Program Revenue	<u>401,456</u>
General Revenue	
Gain on Equipment Disposal	<u>134,849</u>
Total General Revenues and Transfers In	<u>134,849</u>
Change in Net Assets	<u>536,305</u>
Net Assets	
Beginning of Year	<u>27,434,173</u>
End of Year	<u><u>\$ 27,970,478</u></u>

The Notes to Financial Statements are an integral part of this statement.

**MECOSTA COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2004**

EXHIBIT C

**GOVERNMENTAL
FUND TYPE**

General
Operating
Fund

ASSETS

Cash	\$ 743,017
Accounts Receivable	
State Trunkline Maintenance	163,322
Michigan Transportation Fund	655,480
Due From Other Units of Government	1,043
Due From Township Agreements	16,918
Sundry Accounts	8,708
Inventories	
Road Materials	297,863
Equipment Parts and Materials	122,091
Deferred Expense	
Fuel Depot	11,146
Brinewell	1,500
Total Assets	<u><u>\$2,021,088</u></u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts Payable	\$ 60,439
Accrued Liabilities	68,761
Advances	
State Trunkline Equipment Purchase	205,314
State Trunkline Maintenance	67,014
Performance Deposits Payable	3,000
Total Liabilities	<u>404,528</u>
Fund Equities	
Reserved for Inventory	419,954
Fund Balance	
Unreserved and Undesignated	1,196,606
Total Fund Equities	<u>1,616,560</u>
Total Liabilities and Fund Equities	<u><u>\$2,021,088</u></u>

The Notes to Financial Statements are an integral part of this statement.

**MECOSTA COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2004**

EXHIBIT D

Total Governmental Fund Balance	\$ 1,616,560
---------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Assets are
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,554,142
--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(200,224)</u>
---	------------------

Net Assets of Governmental Activities	<u><u>\$ 27,970,478</u></u>
---------------------------------------	-----------------------------

The Notes to Financial Statements are an integral part of this statement.

MECOSTA COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2004

EXHIBIT E

	Operating Fund
Revenues	
Federal Aid	\$ 126,830
State Aid	4,766,858
Contributions From Local Units	559,465
Charges for Services	1,191,154
Interest and Rents	19,891
Other Revenue	196,219
	<hr/>
Total Revenues	6,860,417
	<hr/>
Expenditures	
Public Works	5,815,122
Capital Outlay	1,056,625
	<hr/>
Total Expenditures	6,871,747
	<hr/>
Excess of Revenues Over (Under) Expenditures	(11,330)
	<hr/>
Fund Balance--January 1, 2004	1,627,890
	<hr/>
Fund Balance--December 31, 2004	\$ 1,616,560
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

**MECOSTA COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ (11,330)

Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is the amount
by which capital outlays exceeded depreciation in the current period. 559,829
Equipment retirement is recorded as an expenditure credit in governmental
funds, but not recorded as an expense in the Statement of Activities.

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in governmental funds. (Increase in compensated absences and decrease in
interest expense) (12,194)

Change in Net Assets of Governmental Activities \$ 536,305

The Notes to Financial Statements are an integral part of this statement.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Mecosta County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Mecosta County Road Commission.

NOTE A--REPORTING ENTITY

The Mecosta County Road Commission (Road Commission), which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 3-member board of county road commissioners. The Road Commission may not issue debt without the county's approval and property tax levies for road purposes are subject to county board of commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Mecosta County Road Commission, a discretely presented component unit of Mecosta County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Mecosta County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Measurable refers to the ability to quantify in monetary terms of the amount of the revenue. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Mecosta County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12-50 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During 2004, the actual expenditures exceeded the final amended budget for one activity as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
State Trunkline Maintenance	\$1,104,000	\$1,118,693	\$ (14,693)

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Public Act 20 of 1943, as amended, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money not listed above. The Road Commission deposits are in accordance with statutory authority. The county board of road commissioners has adopted the county's investment policy, which has designated one (1) bank for the deposit of the Road Commission funds in the name of the county treasurer.

The risk disclosures for the Road Commission deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

<u>Deposits and Cash on Hand</u>	<u>Carrying Amount</u>	<u>Financial Institution Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured	642,917	736,500
Imprest Cash	100	
Total	<u>\$ 743,017</u>	<u>\$ 836,500</u>

The Road Commission's insured deposit amount results from the County Road Fund meeting certain specified criteria under FDIC regulations.

NOTE E--DEFERRED EXPENSE

Brine Well

An intergovernmental agreement was entered into with Isabella County Road Commission for 50% of capital improvements to the Coldwater Brinewell. Mecosta County Road Commission uses the brinewell and pays for usage based on cost. During 1996, \$15,000 was paid to Isabella County Road Commission for the capital improvements, which is depreciated over 10 years. The balance at December 31, 2004 was \$1,500.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--DEFERRED EXPENSE (Continued)

Fuel Depot

An intergovernmental agreement, for a term of 20 years, was entered into on December 15, 1993 with Chippewa Hills School District (District) for the use of the fuel depot. The District constructed a fuel depot/delivery system, which consisted of fuel tank(s) and delivery system(s) for fueling motor vehicles. The Road Commission paid \$25,000 upon notification by the District that the fuel depot was ready for operation. The District is responsible for the operation and maintenance of the fuel depot. A separate fund was established to cover all costs. Five cents per gallon will be charged and placed in the Operation and Maintenance Fund. The Road Commission is billed on a monthly basis for the actual fuel used plus the 5 cents per gallon. The initial \$25,000 was recorded as deferred expense and is reduced annually by a depreciation amount. The depreciation is determined using the straight-line method for 20 years. The balance is \$11,146 at December 31, 2004.

NOTE F--STATE TRUNKLINE

In February 2004, the Michigan Department of Transportation (MDOT) and the Mecosta County Road Commission reached a settlement agreement regarding liability insurance on the State Trunkline audits from 1996 through 2001. The settlement also included adjustments for the years 2002 through 2004 that have not yet been audited. The terms of the settlement found that the Road Commission owed MDOT \$57,592 based on the audits of 1996 through 2001 and that MDOT owed the Road Commission \$18,023 for the years 2002 through 2004. The net result of \$39,569 owed to MDOT by the Road Commission was withheld from the payment received by the Road Commission in March 2004.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

A summary of changes in the Road Commission's capital assets are as follows:

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 255,547			\$ 255,547
Infrastructure Land Improvements	8,020,056	\$ 37,798		8,057,854
Subtotal	8,275,603	37,798	\$ -	8,313,401
Capital Assets Being Depreciated				
Buildings	1,463,016	171,207		1,634,223
Road Equipment	5,183,648	873,879	849,072	5,208,455
Shop Equipment	38,411	2,589		41,000
Office Equipment	130,079	1,783		131,862
Engineer's Equipment	82,862	7,167		90,029
Infrastructure--Bridges	2,739,939	193,427		2,933,366
Infrastructure--Roads	25,179,496	1,861,515	637,823	26,403,188
Total	34,817,451	3,111,567	1,486,895	36,442,123
Less Accumulated Depreciation				
Building	951,508	35,937		987,445
Road Equipment	3,798,547	555,604	680,610	3,673,541
Shop Equipment	35,612	462		36,074
Office Equipment	103,019	8,246		111,265
Engineer's Equipment	68,965	4,519		73,484
Infrastructure--Bridges	1,366,134	58,819		1,424,953
Infrastructure--Roads	10,774,957	1,757,486	637,823	11,894,620
Total	17,098,742	2,421,073	1,318,433	18,201,382
Net Capital Assets Being Depreciated	17,718,709	690,494	168,462	18,240,741
Total Net Capital Assets	<u>\$25,994,312</u>	<u>\$ 728,292</u>	<u>\$ 168,462</u>	<u>\$26,554,142</u>

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

Depreciation and depletion expense was charged to the following activities:

Net Equipment Expense	
Direct Equipment	\$ 555,604
Indirect Equipment	40,918
Net Administrative Expense	
Office Equipment	8,246
Infrastructure Depreciation	<u>1,816,305</u>
Total Depreciation Expense	<u><u>\$ 2,421,073</u></u>

NOTE H--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balances</u> <u>01/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>12/31/04</u>
Vested Employee Benefits			
Vacation Benefits	\$ 49,530	\$ 361	\$ 49,891
Sick Leave Benefits	<u>138,500</u>	<u>11,833</u>	<u>150,333</u>
Total	<u><u>\$ 188,030</u></u>	<u><u>\$ 12,194</u></u>	<u><u>\$ 200,224</u></u>

Vested Employees Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of each employee. Administrative and supervisory union employees may accumulate vacation leave time of up to 5 weeks and non-supervisory employees may accumulate up to 4 weeks. If union employees are unable to use their vacation benefits before they lose them, they may apply 4 weeks in advance of the end of their vacation eligibility year for permission from the engineer/administrator to carry their unused vacation into the following year.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Employee Sick Leave Benefits

All employees shall accumulate 1 sick leave day per month, not to exceed 12, 8 hour days per year. Upon retirement or death, all union employees shall be paid at his or her regular rate of pay of up to 400 hours unused sick leave and administrative employees shall be paid up to 240 hours of unused sick leave. All union employees may accumulate up to 1200 hours and administrative employees have no limit on the accumulation of sick leave.

Annually, on each supervisory union employee's anniversary date, the employer can pay all sick hours in excess of 400 hours, a lump sum payment calculated at \$9 per hour.

NOTE I--POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Road Commission provides post-retirement health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission. For the retired employees only, between 60 and 65 years old, premiums of medical benefits are paid in full by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Currently, 4 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, net expenditures of \$18,774 were recognized for post-retirement health care.

NOTE J--EMPLOYEE PENSION PLAN

Description of Plan and Plan Assets

The Mecosta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. There are four groups of employees being general, union supervision, administration and manager. The service requirement for general employees, union supervision and administrative staff is computed using credited service at the time of termination of membership multiplied by the sum of 1.7% times the final average compensation. The service requirement for the manager is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN (Continued)

MERS was organized pursuant to Section 12a of Public Act 156 of 1851; MCL 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy which requires members, except for the manager, to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. During 2003, the employees' contributions totaled \$71,975. The Road Commission is required to contribute at an actuarially determined rate which was 0% of the annual payroll for the union and supervisors and 4.73% for administration based on the 2001 actuarial valuation beginning on January 1, 2003.

Annual Pension Cost

During the calendar year ended December 31, 2003, the Road Commission's contributions were \$0 in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2001. The Road Commission paid the required contribution of \$7,935 along with a voluntary \$15,500 contribution. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

Year Ended Dec 31	(Employee) Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 66,244	100%	0%
2002	69,257	100%	0%
2003	71,975	100%	0%

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN (Continued)

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percent of Covered Payroll
2001	\$6,385,521	\$ 5,627,436	\$ 758,085	113%	\$ 1,394,989	0%
2002	6,272,522	5,838,535	433,987	107%	1,455,720	0%
2002	6,472,370	6,579,887	(107,517)	98%	1,555,247	7%

NOTE K--DEFERRED COMPENSATION PLAN

The Mecosta County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with Mass Mutual. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE L--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts; theft of, damage to and destruction of assets; errors and omissions; employee injuries; and natural disasters. The Road Commission has purchased commercial insurance for medical benefit claims for its employees and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

MECOSTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE L--RISK MANAGEMENT (Continued)

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities within the State. The Mecosta County Road Commission became a member in April 1984.

The Michigan County Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE M--CONTINGENT LIABILITIES

Gravel Contract

The Road Commission entered into a 15-year contract to purchase gravel on January 9, 1996. The terms of this contract state that the Road Commission will purchase at least 30,000 cubic yards of gravel per year during the term of lease, or so long as the gravel supply lasts. The cost of the gravel is as follows:

Years 1-5	.50 per cubic yard	Minimum cost per year \$15,000
Years 6-10	.55 per cubic yard	Minimum cost per year \$16,500
Years 11-15	.60 per cubic yard	Minimum cost per year \$18,000

NOTE N--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$126,830 for contracted projects. Contracted projects are defined as projects performed by private contractors that are paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the fiscal year ended December 31, 2004, the Road Commission did not receive Federal grants for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A Single Audit was not performed during the fiscal year ended December 31, 2004.

MECOSTA COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2004

EXHIBIT G

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Federal Aid				
Critical Bridge	\$ 180,000	\$ 180,000	\$ 126,830	\$ (53,170)
State Aid				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	2,086,388	2,457,000	2,356,911	(100,089)
Local Road	1,606,612	1,892,000	1,815,621	(76,379)
Primary Urban Road	62,079	65,000	62,045	(2,955)
Local Urban Road	22,921	24,000	24,577	577
Snow Removal	11,000	11,000	11,828	828
State Critical Bridge	-	-	23,781	23,781
Exchange of Federal Funds	425,000	425,000	422,053	(2,947)
Economic Development Funds				
Forest Funds (E)	40,000	40,000	40,042	42
Contributions--Local Units				
Townships	500,000	558,000	559,465	1,465
Charges for Services				
State Trunkline Maintenance	800,000	1,104,000	1,079,124	(24,876)
State Trunkline Nonmaintenance	-	105,200	104,863	(337)
Salvage Sales	1,500	1,500	2,609	1,109
Timber Sales	500	500	4,558	4,058
Interest and Rents				
Interest Earned	8,000	8,000	10,822	2,822
Property Rentals	-	-	9,067	9,067
Royalties	-	-	2	2
Other Revenue				
Gain on Equipment Disposal	20,000	219,000	134,849	(84,151)
Contributions From Private Sources	-	61,400	61,370	(30)
Reimbursements	3,000	3,000	-	(3,000)
Total Operating Revenue	<u>5,777,000</u>	<u>7,164,600</u>	<u>\$6,860,417</u>	<u>\$(304,183)</u>
Fund Balance--January 1, 2004	<u>-</u>	<u>-</u>		
Total Budget	<u>\$5,777,000</u>	<u>\$7,164,600</u>		

**MECOSTA COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2004**

EXHIBIT H

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Heavy Maintenance	\$1,085,000	\$ 839,617	\$ 803,517	\$ 36,100
Maintenance	1,033,250	1,215,794	1,190,697	25,097
Local Road				
Heavy Maintenance	1,000,000	1,115,000	1,095,797	19,203
Maintenance	1,533,250	2,231,650	2,210,976	20,674
Local Road Structures				
Heavy Maintenance	220,000	220,000	193,427	26,573
State Trunkline				
Maintenance	800,000	1,104,000	1,118,693	(14,693)
Nonmaintenance	-	105,200	104,863	337
Equipment Expense--Net	(172,000)	(313,117)		
Direct			\$ 1,182,628	
Indirect			280,383	
Operating			258,706	
Less: Equipment Rentals			<u>(2,022,677)</u>	(300,960)
				12,157
Administrative Expense--Net	177,500	179,750		
Administrative Expense			285,544	
Less: Overhead--Trunkline Maintenance			(111,049)	
Handling Charges			(8,444)	
Purchase Discounts			<u>(532)</u>	165,519
				14,231
Capital Outlay--Net	-	466,706		
Capital Outlay			1,056,625	
Less: Depreciation Credits			(598,944)	
Equipment Retirements			<u>(168,463)</u>	289,218
				177,488
Contingency	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	5,777,000	7,164,600	<u>\$6,871,747</u>	<u>\$ 317,167</u>
Fund Balance--December 31, 2003	<u>-</u>	<u>-</u>		
Total Budget	<u>\$5,777,000</u>	<u>\$7,164,600</u>		

MECOSTA COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

EXHIBIT I

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 3,009,631	\$ 2,598,030	\$ 1,252,756	\$ 6,860,417
Total Expenditures	1,881,944	3,436,564	1,553,239	6,871,747
Excess of Revenues Over (Under) Expenditures	1,127,687	(838,534)	(300,483)	(11,330)
Other Financing Sources (Uses)				
Optional Transfers	(725,687)	725,687		-
Interfund Adjustment		112,847	(112,847)	-
Total Other Financing Sources (Uses)	(725,687)	838,534	(112,847)	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	402,000	-	(413,330)	(11,330)
Fund Balance--January 1, 2004	528,246	-	1,099,644	1,627,890
Fund Balance--December 31, 2004	\$ 930,246	\$ -	\$ 686,314	\$ 1,616,560

MECOSTA COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2004

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Federal Aid				
Critical Bridge		\$ 126,830		\$ 126,830
State Aid				
Michigan Transportation Fund				
Engineering	\$ 5,700	4,300		10,000
Primary Road	2,356,911			2,356,911
Local Road		1,815,621		1,815,621
Primary Urban Road	62,045			62,045
Local Urban Road		24,577		24,577
Snow Removal		11,828		11,828
State Critical Bridge		23,781		23,781
Exchange of Federal Funds	422,053			422,053
Economic Development Funds				
Forest Funds (E)		40,042		40,042
Contributions--Local Units				
Townships	69,784	489,681		559,465
Charges for Services				
State Trunkline Maintenance			\$1,079,124	1,079,124
State Trunkline Nonmaintenance			104,863	104,863
Salvage Sales			2,609	2,609
Timber Sales			4,558	4,558
Interest and Rents				
Interest Earned	3,463		7,359	10,822
Property Rentals			9,067	9,067
Royalties			2	2
Other Revenue				
Gain on Equipment Disposal	89,675		45,174	134,849
Contributions From Private Sources		61,370		61,370
Total Operating Revenue	\$3,009,631	\$2,598,030	\$1,252,756	\$6,860,417

MECOSTA COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2004

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Heavy Maintenance	\$ 803,517			\$ 803,517
Maintenance	1,190,697			1,190,697
Local Road				
Heavy Maintenance		\$1,095,797		1,095,797
Maintenance		2,210,976		2,210,976
Local Road Structures				
Heavy Maintenance		193,427		193,427
State Trunkline				
Maintenance			\$1,118,693	1,118,693
Nonmaintenance			104,863	104,863
Equipment Expense--Net (Per Exhibit H)	(76,023)	(169,079)	(55,858)	(300,960)
Administrative Expense--Net (Per Exhibit H)	60,076	105,443		165,519
Capital Outlay--Net (Per Exhibit H)	(96,323)		385,541	289,218
Total Expenditures	<u>\$1,881,944</u>	<u>\$3,436,564</u>	<u>\$1,553,239</u>	<u>\$6,871,747</u>



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

March 2, 2005

Mecosta County Road Commission
Board of County Road Commissioners
120 DeKraft
Big Rapids, Michigan 49307

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of Mecosta County Road Commission, a component unit of Mecosta County, as of and for the year ended December 31, 2004, and have issued our report thereon dated March 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Mecosta County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Mecosta County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division